

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 6 – CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the King County Primary Government:

CHANGES IN CAPITAL ASSETS					
FOR THE YEAR ENDED DECEMBER 31, 2002					
	BALANCE				BALANCE
	01/01/02	ADJUSTMENTS	INCREASES	DECREASES	12/31/02
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 350,015,320	\$126,519,671	\$ 36,140,470	\$ (4,802,991)	\$ 507,872,470
Infrastructure	-	501,569,224	101,471,722	(16,688)	603,024,258
Work in progress	64,560,663	19,561,960	42,312,441	(15,290,376)	111,144,688
Total capital assets not being depreciated	414,575,983	647,650,855	179,924,633	(20,110,055)	1,222,041,416
Capital assets being depreciated					
Buildings	482,582,177	1,189,149	5,726,248	(2,997,353)	486,500,221
Equipment	113,754,759	73,800,226	14,512,488	(13,841,344)	188,226,129
Total capital assets being depreciated	596,336,936	74,989,375	20,238,736	(16,838,697)	674,726,350
Less accumulated depreciation for:					
Buildings	-	(120,551,344)	(25,736,890)	9,054,457	(137,233,777)
Equipment	-	(117,055,641)	(27,037,597)	32,296,635	(111,796,603)
Total capital assets being depreciated - net	596,336,936	(162,617,610)	(32,535,751)	24,512,395	425,695,970
Governmental activities capital assets - net	\$1,010,912,919	\$485,033,245	\$147,388,882	\$ 4,402,340	\$1,647,737,386
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 184,697,558	\$ (3,457,400)	\$ 27,389,248	\$ (4,086,039)	\$ 204,543,367
Work in progress	345,381,557	(2,025,963)	295,436,614	(175,661,194)	463,131,014
Total capital assets not being depreciated	530,079,115	(5,483,363)	322,825,862	(179,747,233)	667,674,381
Capital assets being depreciated					
Buildings	679,536,526	-	32,993,501	(9,335)	712,520,692
Improvements other than buildings	1,327,926,898	(1,189,149)	72,473,635	(6,309,434)	1,392,901,950
Equipment	1,664,182,008	(73,800,226)	91,229,206	(36,522,352)	1,645,088,636
Total capital assets being depreciated	3,671,645,432	(74,989,375)	196,696,342	(42,841,121)	3,750,511,278
Less accumulated depreciation for:					
Buildings and improvements	(718,944,130)	206,532	(62,836,414)	3,592,782	(777,981,230)
Equipment	(827,757,064)	45,336,168	(122,319,478)	25,109,064	(879,631,310)
Total capital assets being depreciated - net	2,124,944,238	(29,446,675)	11,540,450	(14,139,275)	2,092,898,738
Business-type activities capital assets - net	\$2,655,023,353	\$ (34,930,038)	\$334,366,312	\$ (193,886,508)	\$2,760,573,119

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NOTE 6 – CONTINUED

Adjustments

The adjustments column in the preceding schedule is explained below:

<i>Governmental Activities</i>	
2002 beginning balance in road network infrastructure	\$ 501,569,224
2002 beginning balance in construction-in-progress related to infrastructure	9,826,280
2002 beginning balance in right-of-way	123,062,271
Capitalize prior year costs as construction-in-progress	7,709,717
2002 beginning balance in accumulated depreciation on governmental capital assets	(192,064,285)
Correction to reflect Cedar Hills landfill site as governmental capital asset	3,457,400
Reclass 2002 beginning balance of governmental internal service funds net capital assets	31,472,638
TOTAL	<u><u>\$ 485,033,245</u></u>
<i>Business-type Activities</i>	
Correction to remove Cedar Hills landfill site from Solid Waste enterprise	\$ (3,457,400)
Reclass 2002 beginning balance of governmental internal service funds net capital assets	(31,472,638)
TOTAL	<u><u>\$ (34,930,038)</u></u>

Depreciation Expense

Depreciation expense was charged to functions of the primary government as follows:

<i>Governmental activities</i>	
General government services	\$ 11,142,273
Law, safety & justice	13,184,160
Physical environment	415,486
Transportation	1,875,697
Economic environment	748,795
Mental & physical health	2,547,871
Culture & recreation	2,634,911
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	7,652,711
Total depreciation expense – governmental activities	<u><u>\$ 40,201,904</u></u>
<i>Business-type activities</i>	
Water	\$ 88,381,506
Transit	69,691,940
Solid Waste	9,999,106
Airport	1,048,934
Radio Communications	1,554,696
Institutional Network	325,318
Capital assets held by the County's business-type internal service funds are charged to business-type activities based on their usage of the assets	360,386
Total depreciation expense -- business-type activities	<u><u>\$ 171,361,886</u></u>

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Most of the County's internal service funds provide service to governmental departments. During 2002 two internal service funds, the Wastewater Equipment Rental fund and the Transit Non-Revenue Vehicles fund, exclusively supported enterprise departments; depreciation on their capital assets is charged to business-type activities.

Infrastructure

This is the County's first year of implementation of GASB 34, which includes the retroactive reporting of infrastructure capital assets. Infrastructure capital assets are long-lived capital assets that are normally stationary in nature and of value only to the government. Typically, they can be preserved for a significantly greater number of years than most capital assets. Included in King County's infrastructure is the roads and bridges network (including traffic control elements) maintained by the Roads Division of the Department of Transportation. The roads and bridges network infrastructure is reported using the modified approach. Under the modified approach, the County does not depreciate the roads and bridges network infrastructure. In lieu of depreciation, the County is required to present maintenance information to demonstrate that it is preserving the network up to an acceptable, preset condition level.

Roads and Bridges Infrastructure Valuation

The roads and bridges infrastructure network acquired or constructed prior to 2002 is valued at estimated historical cost. Estimates of 2001 replacement costs for all existing roads and 1988 replacement costs for all bridges were obtained using standard costing methods with the resultant values being deflated to the acquisition year (or estimated acquisition year, where the actual year was unknown), using the Engineering News Record Construction Cost Index. Retroactive reporting of traffic control elements is based on replacement cost.

Land

Land also includes right-of-way and farmland development rights.

Right-of-Way Assets

Right-of-way assets related to roads and bridges have not been reported prior to 2002. Estimated historical costs for these assets were obtained by estimating replacement costs at 2001 using land assessed valuation data and then deflating the resultant values to the acquisition year (or estimated acquisition year, where the actual year is unknown), using assessed land value indices from the King County Assessor's Office.

Farmland Development Rights

The Farmland Preservation Program was established to preserve, protect, and enhance agricultural lands and open spaces. Under this program, the County has acquired farmland development rights for over 12,500 acres. "Development rights" are the rights to develop land for any uses other than farming or open space. The owner who sells development rights sells only a part of an owner's property rights and retains all other ownership rights. The owner can live on the land and use it for agriculture or open space purposes, or transfer or sell the land. However, the owner of the land for which King County has purchased the development rights may not build non-farm commercial or residential buildings on the land or subdivide the land for

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commercial or residential development. The development rights, so purchased, are held in trust by the County for the benefit of its citizens in perpetuity.

Real Property Under Capital Lease

King County land and buildings include the capitalized costs of the King Street Center (\$78.2 million) and the Issaquah District Court (\$5.9 million). These properties are legally owned by private property management companies who are leasing the buildings to the County under terms which are in substance capital leases. The rental payments collected include the monthly debt service costs of the privately issued bonds used to construct the buildings. The lease contracts provide for a bargain purchase option at the end of the lease term. The capital lease obligations are reported as governmental activities long-term liabilities of the County.

Capital Assets Reverting to Private Ownership in Future Years

Governmental buildings in the amount of \$4,634,841, financed by grants from the State of Washington as authorized under Referendums #29 and #37, revert to private ownership in future years.

Artwork

Artwork that meets the threshold of \$1,000 is capitalized.

Construction Commitments

Project commitment is defined as authorized and planned expenditures for the next fiscal year. These commitments, totaling \$1.3 billion, will be funded from existing capital projects fund undesignated fund balances of \$31.0 million, future borrowing, and other future revenues.

Proprietary Funds

- Public Transportation Enterprise - \$494.7 million is committed to maintenance of existing infrastructure, replacement of aging fleet, and expansion of transit base capacity.
- Solid Waste Enterprise - \$62.8 million is committed to improving solid waste facilities and to ensuring compliance with legal requirements.
- Water Quality Enterprise - \$573.0 million is committed to ensuring the continued operation, reliability and compliance with regulatory standards of wastewater treatment facilities.
- Other enterprises - \$24.9 million is committed to construction and acquisition projects at the King County International Airport and \$1.2 million is for equipment acquisition in the Radio Communications Enterprise.

Capital Projects Funds

\$460.5 million is committed to the acquisition or development of capital improvements, including new building construction, building improvements, seismic upgrades, energy conservation, purchase of open space, road construction and widening, improvements within the surface water management program, repair and replacement of general government facilities, and cultural programs.

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Discretely presented component units

Harborview Medical Center (HMC)

Capital assets activity for HMC for the year ended June 30, 2002, was as follows:

	BALANCE 07/01/01	INCREASES	DECREASES	BALANCE 06/30/02
Capital assets not being depreciated:				
Land	\$ 1,585,972	\$ -	\$ -	\$ 1,585,972
Work in progress	8,893,842	5,438,778	5,843,992	8,488,628
Total capital assets not being depreciated	10,479,814	5,438,778	5,843,992	10,074,600
Capital assets being depreciated:				
Buildings	174,503,658	2,926,885	-	177,430,543
Improvements other than buildings	1,269,137	-	-	1,269,137
Equipment	215,058,538	19,511,825	764,373	233,805,990
Total capital assets being depreciated	390,831,333	22,438,710	764,373	412,505,670
Less accumulated depreciation for:				
Buildings	(54,752,072)	(5,698,883)	-	(60,450,955)
Improvements other than buildings	(526,837)	(59,453)	-	(586,290)
Equipment	(104,949,149)	(17,228,864)	(747,366)	(121,430,647)
Total capital assets being depreciated - net	230,603,275	(548,490)	17,007	230,037,778
HMC capital assets, net	\$ 241,083,089	\$ 4,890,288	\$ 5,860,999	\$ 240,112,378

In addition to the above, HMC also has property held for future use which at June 30, 2002, consisted of:

	Cost	Accumulated Depreciation
Land	\$ 2,717,798	\$ -
Buildings	1,753,520	571,976
Improvements other than buildings	26,344	24,149
Total	\$ 4,497,662	\$ 596,125

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Washington State Major League Baseball Stadium Public Facilities District (WSMLB)

Capital assets activity for the WSMLB as of December 31, 2002, was as follows:

	BALANCE 01/1/02	INCREASES	DECREASES	BALANCE 12/31/02
Capital assets not being depreciated:				
Land	\$ 38,498,454	\$ -0-	\$ -0-	\$ 38,498,454
Capital assets being depreciated:				
Baseball stadium	488,841,352	-	-	488,841,352
Improvements other than buildings	4,094,796	3,409,875	-	7,504,671
Equipment	46,150	-	-	46,150
Total capital assets being depreciated	492,982,298	3,409,875	-0-	496,392,173
Less accumulated depreciation for:				
Baseball stadium	(30,442,369)	(12,238,157)	-	(42,680,526)
Improvements other than buildings	(102,370)	(85,247)	-	(187,617)
Equipment	(39,869)	(4,139)	-	(44,008)
Total capital assets being depreciated - net	462,397,690	(8,917,668)	-0-	453,480,022
WSMLB capital assets, net	<u>\$ 500,896,144</u>	<u>\$ (8,917,668)</u>	<u>\$ -0-</u>	<u>\$ 491,978,476</u>